

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

Central Illinois Light Company, d/b/a	:	
AmerenCIPS; Central Illinois Public Service	:	
Company, d/b/a AmerenCIPA; and Illinois	:	
Power Company, d/b/a AmerenIP	:	No. 07-0539
	:	
Approval of the Energy Efficiency Demand	:	
Response Plan	:	

**IIEC'S PRE-TRIAL MEMO TO THE ADMINISTRATIVE LAW JUDGES**

The Illinois Industrial Energy Consumers are a group of Illinois Power Company d/b/a AmerenIP, Central Illinois Light Company, d/b/a AmerenCILCO, and Central Illinois Public Service Company, d/b/a AmerenCIPS (collectively "Ameren") large industrial customers, which have intervened in this proceeding. They have presented the testimony of two witnesses, Mr. Robert R. Stephens of Brubaker & Associates (IIEC Ex. 1.0) and Mr. David L. Stowe of Brubaker & Associates (IIEC 2.0).

Mr. Stephens discusses the cost recovery mechanism proposed in Ameren's Energy Efficiency and Demand Response Plan (the "Ameren Plan"). He identifies concerns about Ameren's proposed cost recovery mechanism, and proposes a modified cost recovery mechanism to better match program costs (program incentive and implementation costs) with cost recovery burdens across affected customer classes. Mr. Stephens also recommends a customer class structure for recovery purposes that is intended to better match the nature of the energy efficiency programs and differing nature in which customer classes consume energy. Mr. Stephens' alternative cost recovery mechanism does not affect Ameren's program design or program deployment flexibility.

IIEC's approach is fully consistent with Article XI of the Public Utilities Act (the "Act") (220 ILCS 5/9-101 et seq.), and Section 12-103 of the Act (220 ILCS 5/12-103).

Mr. Stephens reaches the following conclusions and makes the following recommendations:

1. The Ameren Plan recognizes three customer classes in designing the energy efficiency measures used in its programs, but only one customer class for cost recovery, *i.e.*, all customers. Ameren should also recognize three customer classes for cost recovery.

2. A three customer class structure consisting of Residential, Small C&I, and Large C&I, at a minimum, should be used for cost recovery. The most logical dividing point between Small C&I and Large C&I is 1MW in demand, which is the traditional dividing point between commercial and industrial customers and has considerable precedent in the Ameren rates, Commission rules and reporting requirements, and FERC reporting requirements. It also is consistent with dividing points used by ComEd.

3. Because of the mismatch between the target classes for programs and the recovery mechanism proposed by Ameren, customers with demands of 1MW or more "Large C&I" Class" would be required to pay as much as double the cost of programs directed to them. Equity dictates that the cost recovery mechanism should be designed to match recovery with energy efficiency program costs for the various classes.

4. If participation experience or program redeployment suggests that different program costs are attributable to classes in the second and subsequent years, the recovery rates should be adjusted in accordance with revised class program cost estimates.

5. The IIEC proposed recovery mechanism should not impact energy efficiency and demand response program design and deployment. The cost recovery mechanism should follow program implementation, not vice versa. The IIEC proposed cost recovery mechanism will collect the same total funding as Ameren's proposed mechanism and in no way will impair Ameren's ability to implement or to recover the cost of its energy efficiency and demand response programs.

6. Under IIEC's proposal if a particular class receives 25% of the program costs that class would be responsible for 25% of the cost recovery. The cost would be recovered within each class on a cents per kWh basis.

IIEC Witness Mr. Stowe determines the program costs associated with the customer classes proposed by IIEC Witness Mr. Stephens. He describes the methods he used to determine those program costs. He also develops the charges to recover these program costs from the three customer classes, and explains how those charges were developed.

Mr. Stowe reaches the following conclusions, and makes the following recommendations:

1. Based on his review the program costs (incentives and program administration costs) can be attributed to the Residential, Small C&I, and Large C&I customer classes as those classes are defined by Mr. Stephens.

2. The program costs can be recovered via the class differentiated energy charges Mr. Stowe develops.

3. He explains that IIEC's alternative recovery mechanism differs from Ameren's recovery mechanism in three ways. IIEC's proposal recognizes three classes for cost recovery while the Ameren proposal does not recognize customer classes for cost recovery purposes. IIEC's approach attempts to recover from each class the cost of the programs associated with that class. The Ameren mechanism recovers program costs as a single price per kWh based on total energy delivered and does not attempt to allocate costs to cost causers, nor does it prevent one customer class from subsidizing another. Lastly, IIEC's mechanism recovers the cost of administering the plan, and common costs that benefit all customer classes in proportion to each class' identifiable program costs. The Ameren approach allocates common costs on the basis of energy as if all customers comprised a single customer class.

DATED this 2<sup>nd</sup> day of January, 2008.

Respectfully submitted,

ILLINOIS INDUSTRIAL ENERGY CONSUMERS,

BY: 

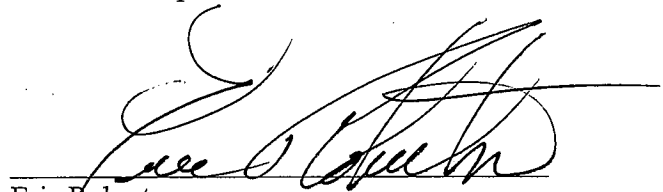
Eric Robertson  
Lueders, Robertson & Konzen  
1939 Delmar Avenue  
Granite City, IL 62040  
[erobertson@lrklaw.com](mailto:erobertson@lrklaw.com)

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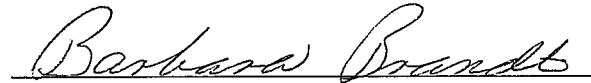
PROOF OF SERVICE

I, Eric Robertson, being an attorney admitted to practice in the State of Illinois and one of the attorneys for the Illinois Industrial Energy Consumers, herewith certify that I did on the 2<sup>nd</sup> day of January, 2008, electronically file with the Illinois Commerce Commission, the Pre-Trial Memorandum of IIEC and electronically served same on the persons identified on the Commission's official e-docket service list.



Eric Robertson  
Lueders, Robertson & Konzen  
P. O. Box 735  
Granite City, IL 62040  
618-876-8500  
[erobertson@lrklaw.com](mailto:erobertson@lrklaw.com)

SUBSCRIBED AND SWORN to before me, a Notary Public, this 2<sup>nd</sup> day of January, 2008.

  
Notary Public